

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 EUR-12 EA-07 ISO-00 FEA-01 AGRE-00

CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 OPIC-03 XMB-02 /109 W

-----049027 160900Z /23

R 120855Z AUG 77

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 8536

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY LA PAZ

AMEMBASSY LONDON

LIMITED OFFICIAL USE KUALA LUMPUR 5370

E.O.11652: N/A

TAGS: EMIN, ITC, MY

SUBJECT: GOM MOVE TO REDUCE TAXES ON TIN

1. IN A SPEECH OPENING A TWO DAY MINING SEMINAR ON AUGUST 11 IN KUALA LUMPUR DEPUTY MINISTER OF PRIMARY INDUSTRIES LEW SIP HON CALLED FOR REDUCTION OF THE TAXATION OF THE MALAYSIAN TIN INDUSTRY. LEW COMMENTED THAT HIS MINISTRY WAS AWARE OF THE PROBLEMS THE INDUSTRY FACED AND SUPPORTED THEIR EFFORTS TO RATIONALIZE TAXATION AND OTHER POLICIES EFFECTING THEIR MINISTRY. HE COMMENTED THAT HIS MINISTRY HAS BROUGHT THIS MATTER UP WITH THE MINISTRY OF FINANCE AND HOPED FOR POSITIVE RESOLUTION OF THE ISSUE. ANOTHER DEP. MINISTER OF PRIMARY INDUSTRIES, PAUL LEONG, CALLED THE AMBASSADOR'S ATTENTION TO THAT PART OF THE SPEECH DURING A CONVERSATION AT A BREAK IN THE SEMINAR.

2. IN A PAPER PRESENTED AT THE SEMINAR THE GOM CHIEF INSPECTOR

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OF MINES DATUK MOHAMED SALLEH MAJID DETAILED PROBLEMS FACING THE TIN INDUSTRY AND POSSIBLE SOLUTIONS TO THEM. THE PAPER WAS UNUSUAL IN THAT A SENIOR GOM OFFICIAL WAS PUBLICLY CALLING FOR A CHANGE IN GOVERNMENT POLICY, E.G. ENCOURAGING MINING OF MARGINAL AREAS THROUGH CHANGES IN TAXATION MECHANISMS. COPIES OF PAPER ARE BEING OBTAINED AND WILL BE POUCHED TO DEPT. AND LONDON.

3. COMMENT: GOM IS NOW FOCUSING ON PROBLEM OF TAXATION OF THE TIN INDUSTRY AND ITS EFFECTS ON PRODUCTION. AS PREVIOUSLY REPORTED (K.L. 4391) THE MINISTRY OF PRIMARY INDUSTRIES IS AWARE OF THE DISINCENTIVE TO PRODUCTION PRESENT TAX POLICIES CREATE AND IS INTERESTED IN CHANGING THEM. THE GOM MINISTRY OF FINANCE HAS TRADITIONALLY BEEN RELUCTANT TO LOWER TAXES BUT THE GOM MINISTER OF FINANCE (K.L. 3818) HAS RECENTLY STATED THAT HIS MINISTRY IS AWARE OF THE PROBLEM AND IS CONDUCTING A STUDY ON RESTRUCTURING TAXES. ALL SIGNS ARE THAT THE GOM WILL CHANGE THEIR TAXATION POLICIES ON TIN WHICH WILL HAVE THE RESULTING EFFECT OF ENCOURAGING THE MINING OF MORE MARGINAL TIN AREAS AND INCREASE MALAYSIAN PRODUCTION. THE EMBASSY ANTICIPATES THAT OFFICIAL ACTION WILL BE ANNOUNCED IN THE FINANCE MINISTER'S BUDGET SPEECH DURING THE FIRST WEEK OF NOVEMBER.

MILLER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TIN, TAXES
Control Number: n/a
Copy: SINGLE
Sent Date: 12-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977KUALA05370
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770294-1079
Format: TEL
From: KUALA LUMPUR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770868/aaaacfhe.tel
Line Count: 79
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0b55755b-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1620050
Secure: OPEN
Status: NATIVE
Subject: GOM MOVE TO REDUCE TAXES ON TIN
TAGS: EMIN, MY, ITC
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/0b55755b-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009